



INTERNAL AUDIT CHARTER

MANDATE

The Internal Audit Charter establishes the organizational status of the Internal Audit function in Manila Electric Company (the “MERALCO”) including its mandate, role, purpose, mission, authority, responsibility and reporting relationships, and its oversight to the Internal Audit functions of the Subsidiaries and Affiliates.

The Internal Audit Charter shall be approved by the Audit Committee of the Board of Directors as part of their oversight function. It shall be reviewed annually and subjected to the same approval process for any revisions or changes thereto.

POLICY STATEMENT

It is the policy of Manila Electric Company to establish and support an internal audit function as a fundamental part of its Corporate Governance Practices.

ROLE

The Board of Directors (the “Board”) establishes the internal audit activity. The internal audit activity’s responsibilities are defined by the Board as part of their oversight role.

PURPOSE AND MISSION

The purpose of the internal audit function is to strengthen MERALCO, Subsidiaries and Affiliates’ ability to create, protect, and sustain value by providing the Board and Management with independent, risk-based, and objective assurance, advice, insight, and foresight. It plays a key role in supporting the achievement of organizational objectives, strengthening governance, risk management, and control processes, enhancing decision-making and oversight, protecting the company’s reputation, and reinforcing its credibility with stakeholders. Additionally, it contributes to the company’s ability to serve the public interest.

The mission is to be a trusted partner and catalyst for improvement by promoting accountability, ethical conduct, effective risk management and continuous enhancement of processes through insightful and forward-looking internal audit work and data-informed evaluation of controls.

The internal audit function is most effective when conducted by competent professionals in conformance with the IIA’s Global Internal Audit Standards, when it maintains independent positioning with direct accountability to the Board through the Audit Committee, and when internal auditors operate free from undue influence and maintain objectivity in their assessments.

SCOPE OF WORK

The scope of internal audit services covers the entire breadth of the organization, including all Meralco, Subsidiaries and Affiliate’s activities, assets, systems, and personnel.

Assurance services involve the objective assessment of evidence to provide independent opinions or conclusions regarding governance, risk management, and control processes, systems, operations, or other subject matters such as:

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- Evaluating the reliability and integrity of information and the means used to identify, measure, classify and report such information.
- Evaluating the adequacy of and compliance with policies, plans, and procedures.
- Evaluating whether resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether such is being carried out as planned.
- Evaluating the effectiveness and efficiency of the governance and risk management processes.

Consulting services are advisory in nature and are performed at the specific request of an internal engagement client. These are intended to add value and improve the organization's risk management and control processes without the internal auditors assuming management responsibility. These include, but are not limited to the following:

- Performing advisory, training, and monitoring services related to readiness and compliance with the required self-assessments and certifications regarding internal controls over financial reporting.
- Fact-finding and verification services requiring an independent and objective perspective from outside of the requesting unit.

The role of Internal Audit is to determine whether the structure of risk management, control, and governance processes for MERALCO, Subsidiaries and Affiliates as designed and represented by Management are adequate and functioning in a manner that ensures:

- Risks relating to the achievement of strategic objectives are appropriately identified, managed, and/or reported.
- Significant financial, managerial, and operating information and operating information is accurate, reliable, and timely.
- Employees' actions are in accordance with policies, standards, procedures and applicable laws, regulations, and governance standards.
- Resources are economically acquired, efficiently used, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the control processes.
- Significant legislative or regulatory issues are recognized and addressed appropriately.

Opportunities for improving management control, profitability, and image of MERALCO, Subsidiaries and Affiliates may be identified during audits, and such will be communicated to the appropriate level of Management.

ACCOUNTABILITY

The Group Chief Audit Executive (GCAE) shall be accountable to the Audit Committee and the Management in the performance of his/her duties and shall:

- Provide annually an assessment on the adequacy and effectiveness of MERALCO's, Subsidiaries' and Affiliates' processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of MERALCO, Subsidiaries and Affiliates, including potential improvements to those processes, and provide information concerning such issues and resolutions.

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- Provide information periodically on the status and results of the annual internal audit plan and the sufficiency of Internal Audit's resources.
- Coordinate with and provide independent assurance on other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).
- Coordinate with Management to support the Internal Audit mandate throughout the organization and promote the authority granted to the Internal Audit function.

RESPONSIBILITY

Ethics and Professionalism

The GCAE shall ensure that internal auditors:

- Adhere to the Global Internal Audit Standards, including the core principles of ethics and professionalism: integrity, objectivity, competence, due professional care, and confidentiality.
- Understand, respect, and meet the organization's legitimate and ethical expectations, while also recognizing conduct that deviates from those expectations.
- Promote and support an ethics-based culture throughout the organization.
- Report any organizational behavior that is inconsistent with the organization's ethical standards, as outlined in relevant policies and procedures.

Managing the Internal Audit Function

The GCAE has the responsibility to:

- Effectively manage the internal audit activity for MERALCO, Subsidiaries and Affiliates.
- Develop and maintain an Internal Audit Strategy and an annual risk-based plan using an appropriate risk-based methodology, including any risks or control concerns identified by Management, and submit that plan as well as periodic updates thereto to the Audit Committee for review and approval.
- Implement the annual internal audit plan, as approved, including and, as appropriate, any special tasks or projects requested by Management and the Audit Committee.
- Consider the scope of work of the internal and external assurance and consulting service providers, as appropriate, for the purpose of providing optimal audit coverage to MERALCO, Subsidiaries and Affiliates at a reasonable overall cost.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Conduct the appropriate follow-up on engagement findings and recommendations which shall remain in an open issues file until cleared.
- Maintain a professional audit staff with sufficient knowledge, skills, experience and professional certifications, and other competencies to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Issue periodic reports to the Audit Committee and Management summarizing results of audit activities, including internal audit personnel headcount, movement, and professional development.
- Identify and consider trends and emerging issues that could impact MERALCO, Subsidiaries and Affiliates and communicate to the Board through the Audit Committee as appropriate.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.

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- Ensure adherence to MERALCO's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Board through the Audit Committee.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services.
- Ensure there is an appropriate mechanism in place for the anonymous submission of employee concerns or complaints on questionable accounting or auditing matters and notify the Audit Committee of the status and disposition of reported complaints.
- Assist in the investigation of significant suspected fraudulent activities in MERALCO, Subsidiaries and Affiliates and notify Management and the Audit Committee of the results.
- Provide a list of significant measurement goals and results to the Audit Committee.

Communication with the Audit Committee and to the Board

- Report periodically on Internal Audit's purpose, authority, responsibility, resource requirements, and performance relative to its plan and on its conformance with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality, including fraud risks, governance issues and other matters that require the attention of Senior Management and/or the Board.
- Communicate Internal Audit's plan, budget, and resource requirements, including significant interim changes, and the impact of limitations on financial, human, and technological resources.
- Keep the Audit Committee informed of emerging trends, operational, financial, and strategic assessments, and successful practices in internal auditing.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with the IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Board.

Quality Assurance and Improvement Program

The GCAE will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement. Moreover, periodic assessments must also evaluate conformance with Topical Requirements (mandatory component of IPPF).

Annually, the GCAE will communicate with the Audit Committee and the Board about the internal audit function's quality assurance and improvement program, including the results of assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor with at least one assessor holding an active Certified Internal Auditor credential.



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AUTHORITY

The GCAE and Internal Audit are authorized, in MERALCO, Subsidiaries and Affiliates, to:

- Have unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Have full and free access to and communicate and interact directly with the Audit Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives and issue reports.
- Obtain the necessary assistance of personnel in units within MERALCO, Subsidiaries and Affiliates where they perform audits as well as other specialized services from within or outside MERALCO, Subsidiaries and Affiliates.

The GCAE and staff of Internal Audit are not authorized to:

- Assess specific operations of a unit or department for which an Internal Audit employee was previously part or responsible in the last twelve months.
- Perform any operational duties for MERALCO, Subsidiaries and Affiliates.
- Initiate or approve accounting transactions except those pertaining to the operation of Internal Audit.
- Direct the activities of any MERALCO, Subsidiaries and Affiliates' employees not employed by Internal Audit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.
- Draft and/or implement internal controls, develop procedures, and install systems. The Internal Audit, may, however, be consulted on the adequacy of the related controls.

INDEPENDENCE, ORGANIZATIONAL POSITION, AND REPORTING RELATIONSHIPS

The GCAE will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference or undue influence from Management, thereby establishing the independence of the Internal Audit function. To provide for the independence of Internal Audit, its personnel report to the GCAE, who reports functionally to the Board through the Audit Committee and administratively to the President and Chief Executive Officer in a manner outlined in the above section on Accountability. The GCAE shall confirm to the Audit Committee, at least annually, the organizational independence of the internal audit activity. If the governance structure does not support organizational independence, the GCAE will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The GCAE will disclose to the Board, through the Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

The GCAE and staff of Internal Audit shall:

- remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

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- have no direct operational responsibility or authority over any of the activities audited and shall not engage in any other activity that may impair professional judgment.
- exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.

COMMITMENT TO ADHERING TO THE GLOBAL INTERNAL AUDIT STANDARDS

Internal Audit and its activities will adhere to the Global Internal Audit Standards (“Standards”), Global Guidance and Topical Requirements of the Institute of Internal Auditors’ International Professional Practices Framework (IPPF). The CAE will report periodically to Senior Management and the Board through the Audit Committee regarding the Internal Audit’s conformance to the IPPF, including requirements on the Code of Ethics and the Standards, which will be assessed through a quality assurance and improvement program.

Approved this 19th day of March 2026.

(Sgd.)
Melanie T. Oteyza
Senior Vice President & Group Chief Audit Executive

(Sgd.)
Ret. Chief Justice Artemio V. Panganiban
Chairman, Audit Committee

(Sgd.)
Manuel V. Pangilinan
Chief Executive Officer and Chairman of the Board